

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of)	
)	
AT&T Corp. Petition for Preemption, Pursuant)	
To Section 253 of the Communications Act and)	CC Docket No. 9645
Common Law Principles, of South Carolina)	DA 03-2779
Statutes That Established an Interim LEC Fund)	
_____)	

**COMMENTS OF THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA**

The Public Service Commission of South Carolina (PSCSC), through the undersigned and pursuant to Federal Communications Commission (FCC or Commission) Rules 1.415 and 1.419, hereby submits its comments in response to the Public Notice in the above-docketed proceeding.

INTRODUCTION AND SUMMARY

In its Petition, AT&T Corporation (AT&T) seeks preemption of South Carolina statutes and administrative procedures that established the Interim LEC Fund (ILF). AT&T states a belief that the ILF violates Section 253(a) of the Communications Act of 1934, as amended (the Act), because it discriminates against new entrants by limiting their ability to compete with incumbent local exchange carriers (ILECs) receiving distributions from the ILF, and because it discriminates against long distance providers by requiring only those providers to contribute to the ILF. AT&T also expresses the opinion that the ILF is not protected under Section 253(b) of the Act because it is not competitively neutral and is not consistent with the requirements for federal universal service programs set forth in Section 254 of the Act.

PSCSC submits that the ILF does not discriminate against new entrants or long distance service providers. For this reason, the ILF does not violate Section 253(a) of the Act. In addition, PSCSC submits that AT&T's analysis under Section 253(b) of the Act is not relevant because the ILF does not provide universal service support. Finally, PSCSC would state that by this attempt at preemption, AT&T is attempting to overcome the fact that it participated in the original administrative hearings before the Public Service Commission of South Carolina concerning the ILF, but failed to appeal the resulting administrative orders. AT&T's Petition is therefore an attempt to collaterally attack the PSCSC's administrative decision establishing the ILF in an untimely manner.

The ILF is a state rebalancing program that affects rates for intrastate services only. It is therefore, as a general rule, outside the scope of the FCC's jurisdiction. See 47 U.S.C. Section 152(b) and Louisiana Public Service Commission v. FCC, 476 U.S. 355 (1986). Although preemption may be appropriate under certain circumstances, AT&T has failed to show any necessity for federal intervention in the present scenario.

DISCUSSION

I. The Interim LEC Fund Does Not Discriminate Against New Entrants.

The statutes that are the subject of AT&T's preemption Petition, S.C. Code Ann. Section 58-9-280(L) and (M)(Supp. 2002) establish a rate rebalancing plan (Plan) for Incumbent Local Exchange Carriers (ILECs). An integral part of that Plan is a revenue recovery mechanism (the ILF) for ILECs that are unable to raise rates sufficiently to offset access charge reductions. The purpose of the ILF is not to provide universal service support.

PSCSC has already determined that the purpose of the Plan is rate rebalancing. PSCSC found that the “Plan is intended to be a stand alone plan to accomplish the rebalancing of intrastate switched access rates and...specific local service rates.” See Exhibit A attached to this document. This Exhibit was adopted with modifications by the PSCSC in the original ILF Order. See Order No. 96-882-C, December 30, 1996, Docket No. 96-318-C, also attached hereto. It should be noted that AT&T did not disagree with the intent of the Plan at the time of the hearing.

The ILF as formulated by PSCSC allows the ILECs to reduce their intrastate switched access rates to those of the largest local exchange carrier (LEC) in the State, and they are permitted to increase certain local rates not to exceed the statewide average rates, weighted by the number of access lines. The Plan Administration and Procedures adopted by PSCSC limit the distribution amount a carrier can receive from the ILF if that carrier reduces access rates but does not raise local rates. This encourages carriers participating in the Plan to increase local rates. Under this scenario, a participating ILEC must impute the revenue it would have received had it raised local rates, according to a specified time schedule, thereby reducing the amount it would need from the ILF. If the participating ILEC has reduced access charges and raised local rates or imputed the appropriate revenue for a raise in local rates, only then is the ILEC entitled to receive distributions from the ILF as necessary to make up the revenue shortfall from participation in the Plan.

AT&T asserts in its Petition that support from the ILF provides ILECs participating in the Plan with a competitive advantage, because only ILECs receive it. No competitive advantage results, since the so-called “support” is really only distributions from a revenue replacement fund, which is only one part of a rate rebalancing plan for

ILECs. AT&T also states that ILECs participating in the ILF have a competitive price advantage versus new entrants because “support” from the ILF “effectively lowers the price for incumbent LEC-provided service relative to competitor-provided service.” The difficulty with this assertion is that ILECs participating in the Plan are either raising their rates, or, if they do not raise rates, are imputing revenue as if they had raised rates. Distributions from the ILF to the ILECs have at least a neutral, if not a beneficial impact on the ability of competitors to enter and compete in the local and toll telephone markets in South Carolina. Further, only the ILECs that elect to participate in the Plan are required to reduce their intrastate switched access charges. Competitive local exchange carriers (CLECs) are free to set their access charges at economically rational amounts that they deem proper. Accordingly, the ILF is not a deterrent to competitive entry, nor is there discrimination against new entrant competitors. The South Carolina Interim LEC Fund therefore does not violate Section 253 of the Act.

II. The Interim LEC Fund Does Not Discriminate Against Long Distance Providers.

Under the Plan adopted by the PSCSC, the ILF is funded by carriers that receive an access or interconnection rate reduction from LECs pursuant to the reduction in ILECs’ switched access rates. Carriers that benefit from these reduced access charges contribute to the ILF in proportion to the amount of the access charge rate reduction less the amounts local rates were raised (or imputed). It should be noted that AT&T advocated in testimony before the PSCSC that the PSC should “require all entities receiving an access rate reduction to fund the ILF in proportion the amount of their reduction.” In its present Petition, however, AT&T seeks to revisit that point after the fact, and after it failed to appeal the PSCSC Order. AT&T argues now that “South

Carolina's funding mechanism singles out long distance providers, and does not require contributions from all carriers." See AT&T Petition at 3.

Long distance providers are not singled out. S.C. Code Ann. Section 58-9-280(M)(Supp. 2002) which enacted the Plan essentially states that any carrier that benefits from reduced access charges must contribute to the ILF. Specifically, subsection (M) states that the ILF will be funded by "those entities receiving an access or interconnection rate reduction from LECs pursuant to subsection (L) in proportion to the amount of the rate reduction." In addition, PSCSC found in Exhibit A, which was adopted in the ILF Order, that "contributing carriers include, but are not limited to, IntraLATA toll providers, interexchange (long distance) carriers (IXCs) and resellers, Area Calling Plan (ACP) providers to the extent that they terminate measured ACP minutes to a participating LEC, and other carriers as applicable." The statute does not discriminate between which IXCs must contribute to the ILF. Like IXC affiliates of CLECs, IXC affiliates of ILECs must contribute to the ILF to the extent that they receive an access or interconnection rate reduction from LECs. Therefore, as a beneficiary of access charge reductions, AT&T must contribute to the ILF, as it agreed in testimony regarding the Plan that entities receiving access charge reductions should contribute to fund the ILF.

There is no negative impact on carriers that must pay into the ILF, because they are receiving access charge reductions from ILECs participating in the Plan which are greater than their contributions to the ILF. This is so because ILECs are either raising local rates or imputing revenue as if local rates were raised, and the result is that the distribution ILECs take from the ILF offsets access charges reductions and thus the

amount beneficiaries of such reductions must contribute. In short, part of the reduction in intrastate switched access rates is now being funded by rebalancing other local rates. The ILF funds the remaining part of the access charge reduction. The impact of the Plan on carriers that must contribute to the ILF is that they are in a better position than they were prior to the adoption and implementation of the Plan, since they are paying out smaller amounts. Because carriers that must contribute to the ILF are paying less than they previously were in intrastate switched access charges, they are not being harmed by being required to make contributions to the ILF. In summary, because only carriers that benefit from access charge reductions are required to contribute to the ILF, the South Carolina ILF does not discriminate against long distance providers and does not violate Section 253 of the Act.

III. The Interim LEC Fund Does Not Provide Universal Service Support.

As discussed previously, the purpose of the Plan is to lower intrastate switched access charges and to rebalance other local rates. As conceived by the Plan, the ILF does not provide universal service support. In a separate statute, the South Carolina General Assembly provides for the establishment of a state universal service fund (state USF), with its purposes being to make basic local exchange telephone service universally available at affordable rates and to assist with the alignment of prices and/or cost recovery with costs. See S.C. Code Ann. Section 58-9-280(E)(Supp. 2002). Therefore, there are separate legislative purposes addressed by the South Carolina General Assembly for the ILF and the state USF. Although S.C. Code Ann. Section 58-9-280(M)(Supp. 2002) calls for the transition of the ILF into the state USF, for administrative purposes, “when funding for the USF is finalized and adequate to support

the obligations of the Interim LEC Fund,” to date the PSCSC has declined to require a transition, because it has found that the state USF is neither finalized nor adequate to support the obligations of the ILF. See Order No. 2001-419 at 38, dated June 6, 2001, Docket No. 97-239-C.

AT&T argues that the ILF does not qualify for preemption protection under Section 253(b) of the Act because it is not competitively neutral and not consistent with the requirements for federal universal service programs set forth in Section 254 of the Act. PSCSC would state that AT&T is in error when it states a belief that the ILF must comply with the requirements of Section 254 of the Act. Simply put, the ILF is not a universal service fund, and it is therefore not governed by the requirements of Section 254 of the Act. The ILF and the state USF are different entities. For example, the sizing methodologies for the ILF and the USF are quite different. The ILF is to be sized-based on the amount of revenue reductions resulting from participating LECs reducing intrastate switched access charges to certain levels, less the amount that can be offset with local rate rebalancing. The ILF is clearly a rate rebalancing mechanism. The state USF is sized based on the difference between the cost of providing basic local exchange service and the maximum amount the carrier may charge for the service.

Because the ILF is not a universal service fund, it is not governed by the requirements applicable to state universal service funds found in Section 254(f) of the Act. Therefore, there is no conflict between the South Carolina ILF program and Section 254(f) of the Act, and the ILF program should not be preempted under traditional principles of preemption.

Further, the South Carolina ILF is readily distinguishable from the Kansas situation described in Western Wireless Corp., 15 F.C.C.R. 16227 (2000). The Kansas scheme provided subsidies through its universal service fund, wherein the South Carolina Interim LEC Fund does not. As discussed above, the two Funds are creatures of two separate statutes. Therefore, there is no Section 254 problem.

IV. AT&T Participated in Proceedings Before the PSCSC, But Failed to Appeal the Resulting Orders.

AT&T failed to raise the objections seen in its Petition during the administrative proceeding before the PSC. Further, AT&T failed to appeal the final administrative orders in the case, and has also delayed filing a Petition for almost six years after the administrative proceeding ended before the PSCSC. AT&T should therefore be precluded from bringing this action for preemption.

The relevant South Carolina statutes in question became effective on May 29, 1996. As noted above, AT&T actively participated in administrative proceedings before the PSCSC in December 1996 to establish the ILF, and, indeed, presented testimony at the hearing. The testimony of AT&T did not object to the implementation of the ILF. Further, AT&T did not petition the PSCSC for reconsideration of its decision, nor did it file an appeal. Instead, AT&T waited until more than 6 ½ years after the statutes were enacted and more than 5 ½ years after the ILF began operation before bringing its Petition for preemption before the FCC.

AT&T's attempt to collaterally attack the ILF Orders of the PSCSC should be disallowed. AT&T had ample opportunity to contest the PSCSC's establishment of the ILF at the time of the administrative hearing, and after the PSCSC's Orders were issued.

AT&T failed to appeal those orders, and it should not now be able to attack those orders collaterally.


CONCLUSION

The rate rebalancing plan and the revenue recovery mechanism enacted by the South Carolina legislature as the Interim LEC Fund are reasonable tools for lowering intrastate switched access charges, rebalancing local rates, preventing ratepayers from being put at risk from the rebalancing, and preventing ILECs from bearing the revenue shortfall caused by reduced access charges. South Carolina's Interim LEC Fund does not discriminate against new entrants or long distance providers. It is not a universal service fund. AT&T participated in the administrative proceedings before the PSCSC, but failed to appeal any of the PSCSC's orders.

For these reasons, the Public Service Commission of South Carolina urges the Federal Communications Commission to dismiss AT&T's Petition for Preemption, finding that the South Carolina ILF does not violate Section 253(a) of the Act, and that the ILF is not a universal service fund and is therefore not subject to Section 254(b) of the Act. The ILF should not be preempted under either Section 253(a) of the Act or traditional preemption principles, for the reasons stated above. In the alternative, AT&T's Petition should be dismissed for failure to appeal the orders of the PSCSC. The PSCSC also requests such other relief as may be deemed just and equitable by the Federal Communications Commission.

Respectfully submitted,

PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

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November 17, 2003
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CERTIFICATE OF SERVICE

I, Hope Adams, do certify that on November 17, 2003, the aforementioned Comments of the Public Service Commission of South Carolina were electronically mailed to the following:

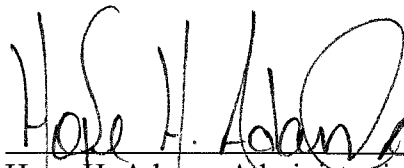
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Further, I do hereby certify that said Comments were served by the U.S. Postal Service, postage prepaid, addressed as follows:

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**SOUTH CAROLINA INTERIM LEC FUND
ADMINISTRATION AND PROCEDURES**

- I. Participation in the Interim LEC Fund
 - A. The local exchange companies listed in Attachment A (the "Participating LECs") will participate in the Interim LEC Fund (the "Fund") pursuant to the procedures set forth below (the "Plan.")
 - B. Participating LECs will be compensated monthly from the Fund, as described in Sections III, IV, and V, below.
 - C. This Plan is intended to be a stand alone plan to accomplish the rebalancing of intrastate switched access rates and the specific local service rates set forth in this Plan. Any changes in rates or revenue requirements which are authorized or mandated outside of this Plan shall not impact the calculations made pursuant to the Plan.
- II. Contributions to the Fund
 - A. The Fund shall receive contributions from those entities (the "Contributing Carriers") receiving an access or interconnection rate reduction from Participating LECs. Contributing Carriers include, but are not limited to, IntraLATA toll providers, IXC/resellers (including new IXC/reseller entrants), ACP providers to the extent that they terminate measured ACP minutes to a Participating LEC, and other carriers as applicable. Contributing Carriers will contribute to the Fund an amount based on their respective statewide shares of the sum of Participating LECs' intrastate switched access minutes (originating and terminating) and the applicable ACP minutes. If the Commission makes a determination that a carrier's statewide share of such minutes is de minimis, then the Commission may exclude that carrier from the list of Contributing Carriers.
 - B. In order to assist the Commission in calculating the amount due from each Contributing Carrier, in the first year each Participating LEC will submit to the Commission a report containing those billed minutes of use (by carrier) necessary to calculate each Contributing Carrier's respective statewide share of relevant minutes of use, as described in II(A) above, for the calendar year ending December 31, 1995, or a representative 12 months (the "Base Period"). In subsequent years, each Participating LEC will provide such information, for the most recent quarter for which data is available, to the Commission by October 1. Based on that data, each Contributing Carrier's contribution for the subsequent year will be determined, and the Contributing Carrier notified, by December 1. Each Contributing Carrier shall divide its contribution amount into 12 equal payments, with the first payment being due on January 1 of the subsequent year.

- C. Each Contributing Carrier will thereafter remit payments to the Fund by the first of each month. Late payments to the Fund will be assessed at the rate of .0493% per day.

III. Size of the Fund

Each Participating LEC will file, to become effective January 1 of each year beginning in 1997, intrastate switched access tariff rates which equal the intrastate switched access rates, as of October 1 of the previous year, of the largest LEC operating within the State. By way of example, the intrastate switched access rates of the largest LEC currently operating within the State (i.e., BellSouth) are shown in Attachment B. The size of the Fund for calendar year 1997 is the sum of the difference between each individual Participating LEC's intrastate switched access rates in effect on October 1, 1996, and the intrastate switched access rates in effect on that date for the largest LEC operating within the State, multiplied by each individual LEC's Base Period minutes. In future years, the calculation will be made in the same way except that the rates in effect as of October 1 of the previous year for the largest LEC operating within the State will be used. An example of how the size of the Fund will be calculated is shown in Attachment C.

IV. Adjustment to the Size of the Fund

- A. Rate rebalancing by Participating LECs will begin in the month of January, 1997. Each Participating LEC will file a subscriber tariff to reflect the rate adjustments identified in the company's proposed Rate Schedule ("Target Rate Adjustments").¹ An individual company's local rate increase pursuant to this Plan is limited to its total Fund requirements. Each company's new rates (including touchtone charges) after the Target Rate Adjustments shall not exceed the statewide average rates as of October 1, 1996; provided that no Participating LEC shall be required to make a rate adjustment pursuant to this Plan if the Participating LEC's rates, including touchtone, already exceed the statewide average rates. Participating LECs shall not be required to increase the business rate to an amount greater than two times the statewide average residential rate. Any local rate increases made pursuant to this Plan will be revenue-neutral to the Participating LECs with respect to Base Period access lines, as these increases will be offset by reductions in the Fund.

¹ The respective companies' Rate Schedules will reflect the individual rate adjustments that each company plans to make, consistent with this Plan. The proposed individual company data will be provided to the Commission in a timely manner. Each company's maximum rate for any given year can be obtained by adding the cumulative rate adjustments to the current (i.e., 1996) rate.

B. As local service rates are adjusted according to the respective companies' Rate Schedules, each Participating LEC's amount due from the Fund will be reduced by the larger of the following:

1. The cumulative rate adjustments, as reflected in the respective companies' Rate Schedules, multiplied by the respective number of access lines for which each service was rendered on the last day of the Base Period.

2. An imputed amount of 20% per year, cumulatively for 5 years, of the difference between the rates in effect on the last day of the Base Period and the corresponding statewide average rates, or such lower amount as may be required by an individual company to achieve revenue neutrality with respect to the Fund, or such lower amount as may be mandated by the Commission.

C. Each year, the Fund will be increased in proportion to the growth in access lines. For year 2 (calendar year 1998), the growth in access lines will be measured by comparing the access lines on the last day of the Base Period with the access lines as reported to NECA for June 30, 1997. Thereafter, the access lines as reported to NECA for June 30 of succeeding years will be used as the basis for comparison. Beginning in 1997, Participating LECs shall report to the Commission on October 1 of each year the access lines as reported to NECA for June 30 of that year.

V. Disbursements from the Fund

The Fund will remit payments to the Participating LECs at the end of each month beginning January 31, 1997, based on the net revenue shortfall, if any, (after adjustments as described in IV above) resulting from access rate reductions.

VI. Termination of the Fund

The Fund will transition into the Universal Service Fund ("USF"), as outlined in S.C. Code Ann. § 58-9-280(E), once funding for the USF is finalized and adequate to support the obligations of the Interim LEC Fund.

Attachment A

Participating LECs

ALLTEL South Carolina, Inc.
Bluffton Telephone Company, Inc.
Chesnee Telephone Company
Chester Telephone Company
Farmers Telephone Cooperative, Inc.
Ft. Mill Telephone Company
Hargray Telephone Company, Inc.
Heath Springs Telephone Company Inc.
Home Telephone Company, Inc.
Horry Telephone Cooperative, Inc.
Lancaster Telephone Company
Lockhart Telephone Company
McClellanville Telephone Company
Norway Telephone Company
Palmetto Rural Telephone Cooperative, Inc.
Piedmont Rural Telephone Cooperative, Inc.
Pond Branch Telephone Company
Ridgeway Telephone Company
Rock Hill Telephone Company
Sandhill Telephone Cooperative, Inc.
St. Stephen Telephone Company
West Carolina Rural Telephone Cooperative, Inc.
Williston Telephone Company

Attachment B

Tariff of Largest LEC Operating in South Carolina
(BellSouth)

(For Illustrative Purposes Only)

Switched Premium Local Transport	
Termination (per MOU)	0.01170
Facility (per mile per MOU)	0.00004
Common Carrier Line	
All Feature Groups (per MOU)	
Premium - Originating	0.01
- Terminating	0.02639
Non-Premium - Originating	0.006
- Terminating	0.01583
Local Switching (LS-1-LS-2)	
Per MOU	0.0378
Information Surcharge (per MOU)	0.00037
800 Data Base Query - Per Query	0.001

Attachment C (Page 1 of 2)

South Carolina Interim LEC Fund
Administration and Procedures
Example of Size of Fund (III)

Attachment C

YEAR 1	A	B	C	D	E
RATE	BASE YEAR MINUTES	LEC RATE 10/1/96	BELL RATE 10/1/96	DIFFERENCE IN RATE	A x D
COMPANY A					
CCL FG-D Originating - Premium	8,000,000	\$0.01590	\$0.01000	\$0.00590	\$ 47,200
CCL FG-D Terminating - Premium	11,000,000	\$0.03090	\$0.02639	\$0.00451	\$ 49,6100
CO Interconnect Charge	20,000,000	\$0.00000	\$0.00574	\$(0.00574)	\$ (114,800)
Switched Prem. Local Trans. Term.	20,000,000	\$0.01190	\$0.00036	\$0.01154	\$ 230,809
Switched Prem. Local Trans. Fac. Route 1	2,200,000	\$0.00685	\$0.00086	\$0.00600	\$ 13,195
Switched Prem. Local Trans. Fac. Route 2	2,400,000	\$0.00082	\$0.00010	\$0.00072	\$ 1,720
Prem. Local Switching (LS-1 & LS-2)	20,000,000	\$0.03845	\$0.01095	\$0.02750	\$ 549,952
Information Surcharge	20,000,000	\$0.00027	\$0.00037	\$(0.00010)	\$ (2,049)
800 Data Base Query - per Query	700,000	\$0.01266	\$0.00400	\$0.00866	\$ 6,065
SUM OF THE DIFFERENCE					\$ 781,702
COMPANY B					
CCL FG-D Originating - Premium	9,000,000	\$0.01590	\$0.01000	\$0.00590	\$ 53,100
CCL FG-D Terminating - Premium	12,000,000	\$0.03090	\$0.02639	\$0.00451	\$ 54,120
CO Interconnect Charge	22,000,000	\$0.00000	\$0.00574	\$(0.00574)	\$ (126,280)
Switched Prem. Local Trans. Term	22,000,000	\$0.01082	\$0.00036	\$0.01046	\$ 230,089
Switched Prem. Local Trans Fac Route 1	4,000,000	\$0.00685	\$0.00086	\$0.00600	\$ 23,990
Switched Prem Local Trans Fac Route 2	1,000,000	\$0.00082	\$0.00010	\$0.00072	\$ 717
Prem Local Switching (LS-1 & LS-2)	22,000,000	\$0.03495	\$0.01095	\$0.02400	\$ 528,052
Information Surcharge	22,000,000	\$0.00025	\$0.00037	\$(0.00013)	\$ (2,797)
800 Data Base Query - per Query	1,100,000	\$0.00806	\$0.00400	\$0.00406	\$ 4,465
SUM OF THE DIFFERENCE					\$ 765,456
TOTALS (COMPANY A + COMPANY B)					
CCL FG-D Originating - Premium	17,000,000				\$ 100,300
CCL FG-D Terminating - Premium	23,000,000				\$ 103,730
CO Interconnect Charge	42,000,000				\$ (241,080)
Switched Prem Local Trans Term	42,000,000				\$ 460,898
Switched Prem Local Trans Fac Route 1	6,200,000				\$ 37,185
Switched Prem Local Trans Fac Route 2	3,400,000				\$ 7,437
Prem Local Switching (LS-1 & LS-2)	42,000,000				\$ 1,078,004
Information Surcharge	42,000,000				\$ (2,049)
800 Data Base Query - per Query	1,800,000				\$ 10,529
SUM OF THE DIFFERENCE					\$ 1,547,159

October 1, 1996

Attachment C (Page 2 of 2)

South Carolina Interim LEC Fund
Administration and Procedures
Example of Size of Fund (III)

YEAR 2 RATE	A BASE YEAR MINUTES	B LEC RATE 10/1/96	C BELL RATE 10/1/97	D DIFFERENCE IN RATE	E A x D
COMPANY A					
CCL FG-D Originating - Premium	8,000,000	\$0.01590	\$0.00500	\$0.01090	\$ 87,200
CCL FG-D Terminating - Premium	11,000,000	\$0.03090	\$0.02000	\$0.01090	\$ 119,900
CO Interconnect Charge	20,000,000	\$0.00000	\$0.00500	\$(0.00500)	\$ (100,000)
Switched Prem. Local Trans. Term.	20,000,000	\$0.01190	\$0.00036	\$0.01154	\$ 230,809
Switched Prem. Local Trans. Fac. Route 1	2,200,000	\$0.00685	\$0.00086	\$0.00600	\$ 13,195
Switched Prem. Local Trans. Fac. Route 2	2,400,000	\$0.00082	\$0.00010	\$0.00072	\$ 1,720
Prem. Local Switching (LS-1 & LS-2)	20,000,000	\$0.03845	\$0.01000	\$0.02845	\$ 568,952
Information Surcharge	20,000,000	\$0.00027	\$0.00030	\$(0.00003)	\$ (569)
800 Data Base Query - per Query	700,000	\$0.01266	\$0.00300	\$0.00966	\$ 6,765
SUM OF THE DIFFERENCE					\$ 927,972
COMPANY B					
CCL FG-D Originating - Premium	9,000,000	\$0.01590	\$0.00500	\$0.01090	\$ 98,100
CCL FG-D Terminating - Premium	12,000,000	\$0.03090	\$0.02000	\$0.01090	\$ 130,800
CO Interconnect Charge	22,000,000	\$0.00000	\$0.00500	\$(0.00500)	\$ (110,000)
Switched Prem. Local Trans. Term	22,000,000	\$0.01082	\$0.00036	\$0.01046	\$ 230,089
Switched Prem. Local Trans Fac Route 1	4,000,000	\$0.00685	\$0.00086	\$0.00600	\$ 23,990
Switched Prem Local Trans Fac Route 2	1,000,000	\$0.00082	\$0.00010	\$0.00072	\$ 717
Prem Local Switching (LS-1 & LS-2)	22,000,000	\$0.03495	\$0.01000	\$0.02495	\$ 548,952
Information Surcharge	22,000,000	\$0.00025	\$0.00030	\$(0.00005)	\$ (1,169)
800 Data Base Query - per Query	1,100,000	\$0.00806	\$0.00300	\$0.00506	\$ 5,565
SUM OF THE DIFFERENCE					\$ 927,044
TOTALS (COMPANY A + COMPANY B)					
CCL FG-D Originating - Premium	17,000,000				\$ 185,300
CCL FG-D Terminating - Premium	23,000,000				\$ 250,700
CO Interconnect Charge	42,000,000				\$ (210,000)
Switched Prem Local Trans Term	42,000,000				\$ 460,898
Switched Prem Local Trans Fac Route 1	6,200,000				\$ 37,185
Switched Prem Local Trans Fac Route 2	3,400,000				\$ 27,437
Prem Local Switching (LS-1 & LS-2)	42,000,000				\$ 1,117,904
Information Surcharge	42,000,000				\$ (1,737)
800 Data Base Query - per Query	1,800,000				\$ 12,329
SUM OF THE DIFFERENCE					\$ 1,855,017

October 1, 1996

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DECEMBER 30, 1996

DOCKET NO. 96-318-C - ORDER NO. 96-882-C

IN RE: THE INTERIM LOCAL EXCHANGE)
CARRIER FUND)

ORDER

This matter comes before the Public Service Commission of South Carolina (the "Commission") upon the Commission Staff's initiation of this Docket. On May 29, 1996, the South Carolina Governor signed into law Act No. 354 (the "Act"), which in part amended South Carolina Code Section 58-9-280. This Act provided new subsections (L) and (M) for the amended Code section.

The Act states that the Commission "shall, not later than December 31, 1996, establish an Interim [Local Exchange Carrier ("LEC")] Fund." Upon the enactment of this Act and establishment of the Interim Local Exchange Carrier Fund ("ILF" or the "Fund"), the Commission "shall . . . require any electing incumbent LEC, other than an incumbent LEC operating under an alternative regulation plan . . . to immediately set its toll switched access rates at levels comparable to the toll switched access rate levels of the largest LEC operating within the State." In order to offset the adverse effects on the LECs' revenues, the Act also mandates that the Commission shall allow the LECs to adjust

"other rates not to exceed statewide average rates, weighted by the number of access lines" The ILF initially is to be funded "by those entities receiving an access or interconnection rate reduction from LECs . . . in proportion to the amount of the rate reduction." Distributions are to be issued to the LECs from the Fund as necessary for the LECs "to recover those revenues lost through the concurrent reduction of the intrastate switched access rates." The Act also states that the Fund "must transition into the [Universal Service Fund ("USF")] . . . when funding for the USF is finalized and adequate to support the obligations of the Interim LEC Fund."

This law was initially addressed by the Commission in Docket No, 96-018-C, which is a generic proceeding to address Local Competition. On October 10, 1996, the Commission established Docket No. 96-318-C to deal exclusively with the establishment of the Fund. LECs that wished to elect to participate in the Fund (also known as "electing LECs") were to notify the Commission of their intent by September 15, 1996. Order No. 96-545 required that the LECs provide to the Commission by October 1, 1996, financial information pertaining to the access revenues that will be "lost" due to access rate reductions as well as the method of recovery to be utilized for these lost revenues. The electing LECs include the following companies: United Telephone Company of the Carolinas, Inc. ("United"), GTE South, Inc. ("GTE"), and the twenty-three member companies of the South Carolina

Telephone Coalition (the "Coalition"). All electing LECs complied with Commission Order No. 96-545. The Commission Staff held a meeting of all Parties of Record on November 1, 1996 in order to discuss the issues involved in this Docket.

Subsequent to that meeting and in compliance with the Act, the Commission held a public hearing at 10:30 a.m. on December 16 and 17, 1996, in the Commission's hearing room at 111 Doctors Circle, Columbia, South Carolina, to examine the legislation, the LECs' revenue requirements, proposed methods of recovery, and all other issues related to the ILF. The Honorable Guy Butler, Chairman, presided.

At the hearing, M. John Bowen, Esq., and Margaret M. Fox, Esq., represented the Coalition and presented as witnesses H. Keith Oliver and Steven Meltzer. Richard Whitt, Esq., and James Wright, Esq., appeared on behalf of United. Donald O. Horton presented testimony for United. GTE was represented by Steve Hamm, Esq., and Martin Sinor, Esq.; Mansel W. Williams filed and presented the testimony for GTE. Elliott F. Elam, Esq., represented the Consumer Advocate for the State of South Carolina (the "Consumer Advocate"). Francis P. Mood, Esq., and Steve A. Matthews, Esq., represented AT&T Communications of the Southern States, Inc. ("AT&T"). James M. Mertz presented AT&T's testimony. John M.S. Hoefer, Esq., appeared on behalf of MCI Telecommunications, Inc. ("MCI"). American Communications Services, Inc. ("ACSI") was represented by Russell B. Shetterly, Esq. B. Craig Collins, Esq., represented the South Carolina Cable Television

Association ("SCCTA"). John F. Beach, Esq., and Barry Selvidge, Esq., appeared on behalf of the South Carolina Public Communications Association ("SCPCA") and presented witness Clifton Craig. Mr. Beach also represented Peoples Telephone Company ("Peoples"). Harry M. Lightsey, III, Esq., appeared on behalf of BellSouth Telecommunications, Inc. Catherine D. Taylor, Staff Counsel, represented the Commission Staff. Dr. R. Glenn Rhyne presented testimony on behalf of the Staff.

At the beginning of the hearing, both the Consumer Advocate and the SCPCA moved to dismiss the requests of the LECs to adjust local rates, stating that the public had not received adequate notice. The two parties referenced various South Carolina Code sections regarding notice and rate adjustments of telecommunications companies. The Coalition responded to the Motion by stating that the Commission was directed by the General Assembly to establish the ILF and allow adjustments of the LECs' rates to offset the mandatory decrease in the access charges. The Coalition based its argument on the premise that the Act is a more specific statute than those cited by the Consumer Advocate and the SCPCA. The establishment of the ILF pursuant to 58-9-280 (L) and (M) and the adjustment of other rates to offset reductions in toll switched access rates is not, in the opinion of the Coalition, a "rate case" as contemplated by other statutes.

AT&T also opposed the Motion, noting that 58-9-280 is

designed for a specific, limited purpose. GTE joined the opposition as well by stating that this statute is specialized and "fixed in time." United noted for the record that it did not request any local rate increases.

Regarding the Motion of the Consumer Advocate and the SCPCA, the Commission hereby denies the Motion to Dismiss the proposed LEC local rate adjustments. We agree with the arguments of the Parties opposing the Motion that this is a very specific statute enacted for specific purposes. This Commission is required by 58-9-280 to allow the LECs to adjust rates not to exceed statewide average rates. Further, notice was provided to the public in three separate newspaper publications, and we feel that this was proper for the case sub judice.

This docket presented novel and involved issues for the Commission. Particular attention was devoted to the methods for recovery of lost access revenues as well as implementation and administration of the Fund as filed by United, GTE, and the Coalition. United projected that it would require recovery of \$4,544,352 annually from the Fund and did not propose to raise any of its rates. GTE has estimated that it will reduce its access rates by \$6,070,515 and will need an annual distribution of \$5,954,888 from the Fund. The Coalition filed a thorough Plan that detailed the Coalition companies' revenue requirements and proposed administrative procedures for the Fund. The Coalition companies estimate that they will incur a revenue shortfall

once access charges are reduced by \$22,055,439 annually. Many of the Coalition companies proposed rate adjustments for residential and business services. The companies' reimbursements from the Fund will be adjusted annually according to the individual company's yearly residential and business rate adjustments and a growth factor for the Fund.

Upon consideration of these matters and the testimony presented in this docket, the Commission now makes the following Findings of Fact and Conclusions of Law:

1. The LECs that are eligible and have elected to participate in the Interim Local Exchange Carrier Fund are as follows: United Telephone Company of the Carolinas, Inc., GTE South, Inc., and the Coalition Members: ALLTEL South Carolina, Inc.; Bluffton Telephone Company, Inc.; Chesnee Telephone Company; Chester Telephone Company; Farmers Telephone Cooperative, Inc.; Fort Mill Telephone Company; Hargray Telephone Company, Inc.; Heath Springs Telephone Company, Inc.; Home Telephone Company, Inc.; Horry Telephone Cooperative, Inc.; Lancaster Telephone Company; Lockhart Telephone Company; McClellanville Telephone Company; Norway Telephone Company; Palmetto Rural Telephone Cooperative, Inc.; Piedmont Rural Telephone Cooperative, Inc.; Pond Branch Telephone Company; Ridgeway Telephone Company; Rock Hill Telephone Company; Sandhill Telephone Cooperative, Inc.; St. Stephen Telephone Company; West Carolina Rural Telephone Cooperative, Inc.; Williston Telephone Company.

2. The Commission hereby adopts as its Plan for

establishment and administration of the Interim Local Exchange Carrier Fund for all electing LECs (as defined in Number 1 above) the Exhibit A of witness Keith Oliver's testimony (the Plan submitted by the South Carolina Telephone Coalition, filed as Hearing Exhibit No. I) subject to certain modifications (additions and modifications are listed below). We adopt this Plan for GTE, United and all members of the Coalition and establish the Fund pursuant to the Plan in compliance with Act No. 354. We feel that this accomplishes the Act's mandate that the Commission establish an ILF and require electing incumbent LECs to set toll switched access rates at levels comparable to the toll switched access rates of the largest LEC operating in South Carolina. Additionally, this Plan allows adjustment of the LECs' other rates not to exceed the statewide weighted average and will allow distributions from the Fund.

3. We hereby adopt the following additions to and modifications of the Coalition's Plan: (Oliver Exhibit A - Hearing Exhibit No. I):

a. The Commission shall serve as Administrator of the Fund. As Administrator, the Commission retains the flexibility to make procedural adjustments to the workings of the Fund.

b. As part of its duties as Administrator, the Commission each month shall bill Contributors for the amount owed to the Fund and shall make distributions from the Fund to the electing LECs.

c. Staff may make any technical modifications to the Plan in order to conform the Plan to the Commission's Order.

d. Staff shall determine the Contributors to the Fund consistent with the language of Act No. 354.

e. Contribution payments shall be remitted to and received by the Commission on or before the last day of each month. Contributions received after the last day of the month shall be regarded as past due.

f. The Late Payment Fee that will be applied to those Contributors which submit Fund Contributions past the due date shall be one and one-half percent (1 1/2%) added to the unpaid balance brought forward. One and one-half percent is the past due amount utilized for various purposes in the Commission's Regulations.

g. Regarding the growth factor contained in Paragraph IV(C) of the Plan: the growth factor that will be utilized shall be the lesser of either the annual incremental increase in access minutes of use or incremental increase in access lines.

h. The Fund shall be initiated and adjusted annually based upon actual minutes of use for the twelve months ending December 31 as soon as possible.

i. Universal Service Fund issues, including the transition of the ILF, shall be addressed at a later date in conjunction with the hearings before this Commission concerning the Universal Service Fund.

j. COCOT rates will be frozen at the existing rates until

the 1997 COCOT proceedings, at which time all relevant COCOT regulatory issues shall be reviewed.

4. The electing LECs shall, on the operational date of the Fund, set their toll switched access rates at levels comparable to the toll switched access rate levels of the largest LEC operating within the State.

5. Staff shall conduct necessary audits of the relevant components of the Fund in order to make appropriate adjustments to the Fund's calculations. This shall include but not be limited to auditing the Companies' financial information utilized to determine potential Fund contributions and distributions, LEC access revenue losses, as well as the rate adjustment calculations.

6. The Commission and Commission Staff will treat as proprietary the minutes of use information provided by the companies that will be utilized to derive contributions to the Fund.

7. The effective date of the Plan shall be December 31, 1996. The operational date of the Plan shall be not later than April 1, 1997. Staff shall determine the actual operational date as soon as possible; that is, Staff shall pinpoint the actual operational date as soon as the audits are completed. Staff shall set its audit schedule as soon as possible.

8. The earnings review process currently utilized by the Commission shall be maintained for the electing LECs regardless of the workings of this Fund.

9. We hereby adopt rate adjustments for the Coalition LECs as detailed on the schedules attached hereto as Attachment A. If members of the Coalition are concerned with the de minimis level of annual increases, they may petition the Staff concerning the increases.

10. We hereby adopt rate adjustments for GTE South, Inc., as are detailed on the schedule attached hereto as Attachment A.

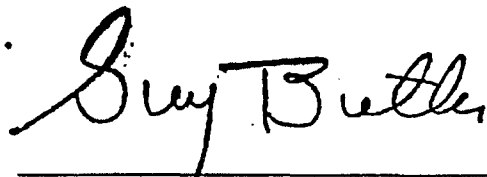
11. United did not request any rate adjustments and, therefore, we do not pass upon any adjustments for United at this time.

12. The LECs shall file tariff sheets in compliance with this Order consistent with the operational date of the Fund. Those LECs that will adjust their rates annually next five years shall file new tariff sheets in compliance with this Order on January 1 of each year.

13. This Order shall be issued and placed into the U.S. Mail by noon of December 30, 1996, under the direction of the Commission's Executive Director.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION.



CHAIRMAN

ATTEST:

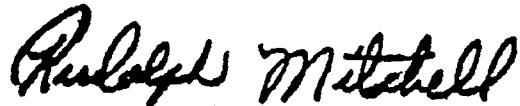


DEPUTY EXECUTIVE DIRECTOR
(SEAL)

STATEMENT OF COMMISSIONER RUDOLPH MITCHELL

I FELT THAT THE COMMISSION SHOULD HAVE POSTPONED, UNTIL A LATER DATE, THE RATE PROPOSAL IN THIS DOCKET, 96-318-C. THEREFORE, I VOTED TO DELAY THIS PORTION OF THE HEARING, BUT MY VIEWS DID NOT PREVAIL.

IT IS MY POSITION THAT THE CUSTOMERS OF THE AFFECTED TELEPHONE COMPANIES SHOULD HAVE BEEN NOTIFIED AND GIVEN A TIME AND PLACE THAT THEIR VIEWS ON THIS MATTER COULD BE EXPRESSED, SUCH AS HOW THE MANDATED RATE CHANGES WOULD BE APPLIED, ETC. SINCE THE MAJORITY VOTE WAS TO CONTINUE WITH THE HEARING, I PARTICIPATED IN THE PROCEEDING AND WILL VOTE ON THE FINAL OUTCOME, ALTHOUGH I FEEL A DELAY IN THE RATE ISSUE WOULD HAVE BEEN MOST APPROPRIATE.

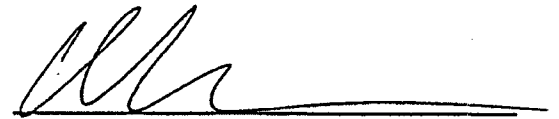
A handwritten signature in black ink, reading "Rudolph Mitchell". The signature is written in a cursive, flowing style.

RUDOLPH MITCHELL
COMMISSIONER AT LARGE

DISSENT OF COMMISSIONER WARREN D. ARTHUR, IV:

It is my position that the customers of the affected telephone companies in this case should have been notified directly and given an opportunity to be heard, so that their views on this matter could have been expressed. The Consumer Advocate's and the South Carolina Public Communications Association's motions should have been granted. The customers would have then been allowed to express their opinions on such matters as how and in what fashion the mandated rate changes would be applied and how their future rate increases would impact them. I do not believe that the Legislature intended for the Public Service Commission to abandon its already-established notice provisions for telecommunications cases, even with the mandate for establishment of the interim LAC fund by December 31, 1996. In my opinion, we could have "established" the fund in principle by that date, while still allowing time for the customers to be heard on how the fund would affect their rates for telecommunications services. Since the majority vote was to deny the motions and continue with the hearing, I continued my participation. However, without notice as stated above, I could not vote in favor of the local rate increases as approved by the majority. I have always taken the position that the public is entitled to individual notice of actions that affect their individual rates. I strongly believe it is the ultimate responsibility of the Public Service Commission of South Carolina to assure that a reasonable attempt is made to notify all parties

(which was not done in this case) and also that our proceedings are conducted in such a way so as to give all affected parties a reasonable opportunity to participate. Since such notice was not provided in the present case, I respectfully dissent from the majority opinion approving establishment of the fund in a manner that will most certainly cause a number of South Carolina telecommunications users to see an increase in their rates. The mandated interim LEC fund could have been established by the statutory deadline in a manner that was fairer to the telecommunication consumers of South Carolina.

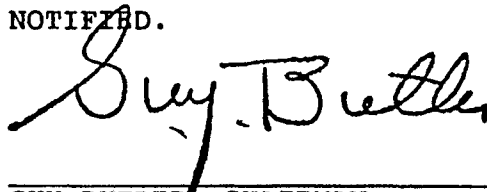
A handwritten signature in dark ink, appearing to read 'W.D. Arthur, IV', is written over a horizontal line.

Warren D. Arthur, IV


Commissioner

STATEMENT

IF THE DISSENT IS INDICATING THAT THE STATE LEGISLATURE HAS ESTABLISHED PROVISIONS REQUIRING CUSTOMERS TO BE "NOTIFIED DIRECTLY" THEN, THE DISSENTER IS WRONG AND INCORRECT. THERE ARE NO SUCH ESTABLISHED PROVISIONS AND THIS WOULD EXPLAIN WHY NO CITATIONS ARE GIVEN, I.E., BECAUSE NONE EXIST. FURTHER, THERE ARE NO REGULATIONS OF THIS COMMISSION WHICH REQUIRE CUSTOMERS TO BE DIRECTLY NOTIFIED.



GUY BUTLER, CHAIRMAN



PHILIP T. BRADLEY, VICE CHAIRMAN



CECIL BOWERS, COMMISSIONER



WILLIAM SAUNDERS, COMMISSIONER



C. DUKES SCOTT, COMMISSIONER

RATE SCHEDULE

ALLTEL - LEXINGTON EXCHANGE

	CURRENT		CHANGE				PHASED-IN
	<u>RATE</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL INCLUDING TOUCH TONE & ZONE CHARGES	15.30	-.95					14.35
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	32.25	-2.25					30.00
K-1							
PBX							
SEMI-PUBLIC							
COCOT							

RATE SCHEDULE

MCCLELLANVILLE TELEPHONE COMPANY

	CURRENT		1997	1998	1999	CHANGE		PHASED-IN
	RATE					2000	2001	RATE
RESIDENTIAL TOUCH TONE & ZONE CHARGES	14.45	-.10						14.35
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	21.56	1.43	1.43	1.43	1.43	1.42		28.70
K-1	27.00	.34	.34	.34	.34	.34		28.70
PBX	27.00	.34	.34	.34	.34	.34		28.70
SEMIPUBLIC	27.00	.34	.34	.34	.34	.34		28.70
COCOT	27.00							27.00

RATE SCHEDULE

CHESNEE TELEPHONE CO., INC.

	CURRENT		CHANGE				PHASED-IN
	<u>RATE</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL TOUCH TONE & ZONE CHARGES	16.40						16.40
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	31.10						31.10
K-1	31.10						31.10
PBX	45.95						45.95
SEMIPUBLIC	32.65						32.65
COCOT	62.20						62.20

RATE SCHEDULE
WILLISTON TELEPHONE COMPANY

	CURRENT		1997	1998	1999	CHANGE		PHASED-IN
	RATE					2000	2001	RATE
RESIDENTIAL TOUCH TONE & ZONE CHARGES	16.50							16.50
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	30.50							30.50
K-1	31.00							31.00
PBX	49.00							49.00
SEMIPUBLIC	45.75							45.75
COCOT	45.75							45.75

RATE SCHEDULE

FORT MILL TELEPHONE COMPANY

	CURRENT				CHANGE		PHASED-IN
	<u>RATE</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL TOUCH TONE & ZONE CHARGES	10.25	.08	.08	.08	.08	.08	10.65
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	21.65	-.01	-.01	-.01	-.01	-.01	21.60
K-1							
PBX							
SEMIPUBLIC							
COCOT							

RATE SCHEDULE

NORWAY TELEPHONE COMPANY

	CURRENT		1997	1998	1999	CHANGE		PHASED-IN
	<u>RATE</u>					<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL TOUCH TONE & ZONE CHARGES	13.80	.11	.11	.11	.11	.11	.11	14.35
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	22.10	1.32	1.32	1.32	1.32	1.32	1.32	28.70
K-1	22.70	1.20	1.20	1.20	1.20	1.20	1.20	28.70
PBX	22.70	1.20	1.20	1.20	1.20	1.20	1.20	28.70
SEMI-PUBLIC	21.10	1.52	1.52	1.52	1.52	1.52	1.52	28.70
COCOT	21.10							21.10

RATE SCHEDULE

BLUFFTON TELEPHONE CO., INC.

	CURRENT				CHANGE		PHASED-IN
	<u>RATE</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL INCLUDING TOUCH TONE & ZONE CHARGES	7.95	.13	.13	.13	.13	.13	8.60
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	10.00	1.44	1.44	1.44	1.44	1.44	17.20
K-1	8.75	3.99	3.99	3.99	3.99	3.99	28.70
PBX	15.31	2.68	2.68	2.68	2.68	2.67	28.70
SEMIPUBLIC	14.79	2.78	2.78	2.78	2.78	2.79	28.70
COCOT	14.79						14.79

RATE SCHEDULE

GTE/CONTEL

	CURRENT RATE	1997	1998	1999	CHANGE 2000	2001	PHASED-IN RATE
<u>GTE/CONTEL</u>							
Residential Group 1	13.68	.13	.13	.13	.14	.14	14.35
<u>ELLOREE/SANTE</u>							
Residential	13.82	.10	.10	.11	.11	.11	14.35
Business	25.05	1.19	1.19	1.19	1.19	1.19	31.00
Business/Rotary	37.58	1.68	1.68	1.68	1.68	1.69	45.99
<u>BOWMAN</u>							
Business	29.27	.34	.34	.35	.35	.35	31.00
Business/Rotary	43.91	.41	.41	.42	.42	.42	45.99

RATE SCHEDULE

HARGRAY TELEPHONE CO., INC. - HARDEVILLE EXCHANGE

	CURRENT		1997	1998	1999	CHANGE		PHASED-IN
	RATE					2000	2001	RATE
RESIDENTIAL TOUCH TONE & ZONE CHARGES	7.75		.17	.17	.17	.17	.17	8.60
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	16.75		.09	.09	.09	.09	.09	17.20
K-1	24.00		0.95	0.95	0.95	0.95	0.90	28.70
PBX	28.10		0.10	0.10	0.10	0.10	0.20	28.70
SEMIPUBLIC	28.00		0.15	0.15	0.15	0.15	0.10	28.70
COCOT	28.00							28.00

RATE SCHEDULE

LANCASTER TELEPHONE COMPANY - FORT LAWN EXCHANGE

	CURRENT		1997	1998	1999	CHANGE		PHASED-IN
	<u>RATE</u>					<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL TOUCH TONE & ZONE CHARGES	13.40		.19	.19	.19	.19	.19	14.35
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	28.50							28.50
K-1								
PBX								
SEMIPUBLIC								
COCOT								

RATE SCHEDULE

FARMERS TELEPHONE COOPERATIVE

	CURRENT			CHANGE		PHASED-IN
	<u>RATE</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u> <u>2001</u>	<u>RATE</u>
RESIDENTIAL TOUCH TONE & ZONE CHARGES	13.25	.22	.22	.22	.22 .22	14.35
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	25.37	.67	.67	.67	.66 .66	28.70
K-1						
PBX						
SEMIPUBLIC						
COCOT	24.25					24.25

RATE SCHEDULE

LANCASTER TELEPHONE COMPANY - LANCASTER EXCHANGE

	CURRENT		1997	1998	1999	CHANGE		PHASED-IN
	<u>RATE</u>					<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL TOUCH TONE & ZONE CHARGES	13.10		.24	.24	.24	.24	.24	14.30
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	27.25							27.25
K-1								
PBX								
SEMI-PUBLIC								
COCOT								

RATE SCHEDULE

RIDGEWAY TELEPHONE COMPANY

	CURRENT		1997	1998	1999	CHANGE		PHASED-IN
	<u>RATE</u>					<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL TOUCH & ZONE CHARGES	11.80	.24	.24	.24	.24	.24	.24	13.00
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	14.80	2.14	2.14	2.14	2.14	2.14	2.14	25.50
K-1								
PBX	19.50	1.20	1.20	1.20	1.20	1.20	1.20	25.50
SEMIPUBLIC								
COCOT	12.40							12.40

RATE SCHEDULE

ALLTEL - CAMPOBELLO & LANDRUM EXCHANGES

	CURRENT		CHANGE				PHASED-IN
	<u>RATE</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL INCLUDING TOUCH TONE & ZONE CHARGES	13.01	.27	.27	.27	.27	.26	14.35
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	30.90	-2.20					28.70
K-1							
PBX							
SEMIPUBLIC							
COCOT							

RATE SCHEDULE

LOCKHART TELEPHONE COMPANY

	CURRENT				CHANGE		PHASED-IN
	<u>RATE</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL TOUCH TONE & ZONE CHARGES	8.26	.33	.33	.33	.33	.32	9.90
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	14.31	1.52	1.52	1.52	1.52	1.51	21.90
K-1							
PBX	19.96	.39	.39	.39	.39	.38	21.90
SEMIPUBLIC							
COCOT	14.08						14.08

RATE SCHEDULE

ALLTEL - INMAN EXCHANGE

	CURRENT				CHANGE		PHASED-IN
	<u>RATE</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL INCLUDING TOUCH TONE & ZONE CHARGES	12.50	.37	.37	.37	.37	.37	14.35
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	29.25	-.55					28.70
K-1							
PBX							
SEMI-PUBLIC							
COCOT							

RATE SCHEDULE

PIEDMONT RURAL TELEPHONE COOPERATIVE, INC. - ENOREE EXCHANGE

	CURRENT			CHANGE			PHASED-IN
	<u>RATE</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL TOUCH TONE & ZONE CHARGES	14.32	.37	.37	.37	.36	.36	16.15
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	24.52	1.19	1.19	1.20	1.20	1.20	30.50
K-1	22.77	1.54	1.54	1.55	1.55	1.55	30.50
YBX	41.12						41.12
SEMIPUBLIC	24.87	1.02	1.02	1.02	1.02	1.01	29.96
COCOT	45.54						45.54

RATE SCHEDULE

ALLTEL - KERSHAW EXCHANGE

	CURRENT				CHANGE		PHASED-IN
	<u>RATE</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL	12.30	.41	.41	.41	.41	.41	14.35
INCLUDING TOUCH TONE & ZONE CHARGES							
BUSINESS	23.25	1.09	1.09	1.09	1.09	1.09	28.70
INCLUDING TOUCH TONE & ZONE CHARGES							
1	26.60	.42	.42	.42	.42	.42	28.70
PBX							
SEMI-PUBLIC							
COCOT							

RATE SCHEDULE

POND BRANCH TELEPHONE COMPANY, INC. - RIDGE EXCHANGE

	CURRENT		1997	1998	1999	CHANGE		PHASED-IN
	RATE					2000	2001	RATE
RESIDENTIAL TOUCH TONE & ZONE CHARGES	11.95	.48	.48	.48	.48	.48	.48	14.35
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	21.25	1.49	1.49	1.49	1.49	1.49	1.49	28.70
K-1	28.00	.14	.14	.14	.14	.14	.14	28.70
PBX	28.00	.14	.14	.14	.14	.14	.14	28.70
SEMIPUBLIC	28.50	.04	.04	.04	.04	.04	.04	28.70
COCOT	28.50							28.50

RATE SCHEDULE

CHESTER TELEPHONE COMPANY

	CURRENT			CHANGE		PHASED-IN
	<u>RATE</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u> <u>2001</u>	<u>RATE</u>
RESIDENTIAL TOUCH TONE & ZONE CHARGES	10.33	.49	.49	.49	.49 .50	12.79
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	16.65	1.87	1.87	1.87	1.87 1.87	26.00
K-1						
PBX	19.13	1.37	1.37	1.37	1.38 1.38	26.00
SEMI-PUBLIC						
COCOT	10.31					10.31

RATE SCHEDULE

HORRY TELEPHONE COOPERATIVE, INC.

	CURRENT				CHANGE		PHASED-IN
	<u>RATE</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL TOUCH TONE & ZONE CHARGES	9.50	.50	.50	.50	.50	.50	12.00
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	20.00	.55	.55	.55	.55	.55	22.75
K-1	17.50	1.05	1.05	1.05	1.05	1.05	22.75
PBX	24.50	-1.75					22.75
SEMIPUBLIC	30.00						30.00
COCOT	16.00						16.00

RATE SCHEDULE
ROCK HILL TELEPHONE COMPANY

	CURRENT				CHANGE		PHASED-IN
	<u>RATE</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL TOUCH & ZONE CHARGES	11.10	.50	.50	.50	.50	.50	13.60
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	23.45						23.45
K-1							
PBX							
SEMIPUBLIC							
COCOT							

RATE SCHEDULE
ST. STEPHEN TELEPHONE COMPANY

	CURRENT		CHANGE				PHASED-IN
	<u>RATE</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL TOUCH & ZONE CHARGES	11.70	.53	.53	.53	.53	.53	14.35
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	20.95	1.55	1.55	1.55	1.55	1.55	28.70
K-1	26.62	.41	.41	.42	.42	.42	28.70
PBX	26.62	.41	.41	.42	.42	.42	28.70
SEMIPUBLIC	28.95						28.95
COCOT	28.95						28.95

RATE SCHEDULE

POND BRANCH TELEPHONE COMPANY, INC. -

ALL POND BRANCH EXCHANGES (EXCEPT RIDGE EXCHANGE)

	CURRENT		1997	1998	1999	CHANGE		PHASED-IN
	<u>RATE</u>					<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL TOUCH TONE & ZONE CHARGES	11.50	.57	.57	.57	.57	.57	.57	14.35
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	18.50	2.04	2.04	2.04	2.04	2.04	2.04	28.70
K-1	28.00	.14	.14	.14	.14	.14	.14	28.70
PBX	28.00	.14	.14	.14	.14	.14	.14	28.70
SEMI-PUBLIC	28.50	.04	.04	.04	.04	.04	.04	28.70
COCOT	28.50							28.50

RATE SCHEDULE

HARGRAY TELEPHONE CO., INC. - HILTON HEAD EXCHANGE

	CURRENT				CHANGE		PHASED-IN
	<u>RATE</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL TOUCH TONE & ZONE CHARGES	8.90	.69	.69	.69	.69	.69	12.35
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	18.05	1.33	1.33	1.33	1.33	1.33	24.70
K-1	26.05	0.53	0.53	0.53	0.53	0.53	28.70
PBX	30.40	-1.70					28.70
SEMIPUBLIC	28.00	0.15	0.15	0.15	0.15	0.10	28.70
COCOT	28.00						28.00

RATE SCHEDULE

HOME TELEPHONE COMPANY, INC. - MONCK'S CORNER

	CURRENT				CHANGE		PHASED-IN
	<u>RATE</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL TOUCH TONE & ZONE CHARGES	10.65	.74	.74	.74	.74	.74	14.35
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	19.15	1.91	1.91	1.91	1.91	1.91	28.70
K-1	21.25	1.49	1.49	1.49	1.49	1.49	28.70
PBX							
SEMIPUBLIC	8.33	1.20	1.20	1.20	1.21	1.21	14.35
COCOT	20.81						20.81

RATE SCHEDULE
SANDHILL TELEPHONE CO-OP, INC.

	CURRENT		1997	1998	1999	CHANGE		PHASED-IN
	<u>RATE</u>					<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL TOUCH & ZONE CHARGES	6.20	.92	.92	.92	.92	.92		10.80
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	11.20	2.08	2.08	2.08	2.08	2.08		21.60
K-1	16.80	.96	.96	.96	.96	.96		21.60
PBX	22.40	-.16	-.16	-.16	-.16	-.16		21.60
SEMIPUBLIC								
COCOT								

RATE SCHEDULE

ALLTEL - CAMERON, CRESTON, & ST. MATTHEWS EXCHANGES

	CURRENT				CHANGE		PHASED
	<u>RATE</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL INCLUDING TOUCH TONE & ZONE CHARGES	9.60	.95	.95	.95	.95	.95	14.3
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	14.10	2.92	2.92	2.92	2.92	2.92	28.7
K-1	12.00	3.34	3.34	3.34	3.34	3.34	28.7
PBX	22.00	1.34	1.34	1.34	1.34	1.34	28.7
SEMIPUBLIC							
COCOT							

RATE SCHEDULE

PALMETTO RURAL TELEPHONE COOPERATIVE, INC.

	CURRENT			CHANGE			PHASED-IN
	<u>RATE</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL TOUCH TONE & ZONE CHARGES	9.60	.95	.95	.95	.95	.95	14.35
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	20.85	1.57	1.57	1.57	1.57	1.57	28.70
K-1	20.85	1.57	1.57	1.57	1.57	1.57	28.70
PBX	33.75						33.75
SEMIPUBLIC							
COCOT	24.75						24.75

RATE SCHEDULE

PIEDMONT RURAL TELEPHONE COOPERATIVE, INC. - LAURENS RURAL EXCHANGE

	CURRENT	CHANGE					PHASED-IN
	<u>RATE</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL TOUCH TONE & ZONE CHARGES	9.45	.98	.98	.98	.98	.98	14.35
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	19.65	1.81	1.81	1.81	1.81	1.81	28.70
K-1	17.90	2.16	2.16	2.16	2.16	2.16	28.70
bx	36.50						36.50
SEMIPUBLIC	20.00	1.74	1.74	1.74	1.74	1.74	28.70
COCOT	35.80						35.80

RATE SCHEDULE

PIEDMONT RURAL TELEPHONE COOPERATIVE, INC. -

GRAY COURT, HICKORY TAVERN, WATERLOO, WEST END EXCHANGES

	CURRENT			CHANGE			PHASED-IN
	<u>RATE</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL TOUCH TONE & ZONE CHARGES	9.20	1.03	1.03	1.03	1.03	1.03	14.35
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	19.40	1.86	1.86	1.86	1.86	1.86	28.70
K-1	17.65	2.21	2.21	2.21	2.21	2.21	28.70
PBX	36.00						36.00
SEMIPUBLIC	19.75	1.79	1.79	1.79	1.79	1.79	28.70
COCOT	35.30						35.30

RATE SCHEDULE

HOME TELEPHONE COMPANY, INC. - HARLEYVILLE

	CURRENT		1997	1998	1999	CHANGE		PHASED-IN
	<u>RATE</u>					<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL TOUCH TONE & ZONE CHARGES	8.95		1.08	1.08	1.08	1.08	1.08	14.35
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	15.70		2.60	2.60	2.60	2.60	2.60	28.70
K-1	16.88		2.36	2.36	2.36	2.37	2.37	28.70
PBX								
SEMIPUBLIC	8.33		1.20	1.20	1.20	1.21	1.21	14.35
COCOT	20.81							20.81

RATE SCHEDULE
WEST CAROLINA RURAL TELEPHONE COOPERATIVE, INC.

	CURRENT				CHANGE		PHASED-IN
	<u>RATE</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>RATE</u>
RESIDENTIAL TOUCH & ZONE CHARGES	7.80	1.31	1.31	1.31	1.31	1.31	14.35
BUSINESS INCLUDING TOUCH TONE & ZONE CHARGES	15.80	2.58	2.58	2.58	2.58	2.58	28.70
K-1							
PBX	24.75	1.43	1.43	1.43	1.43	1.43	31.90
SEMIPUBLIC							
COCOT							